

Service Date: December 5, 1989

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	
MONTANA-DAKOTA UTILITIES COMPANY, a)	UTILITY DIVISION
Division of MDU Resources Group,)	
Inc., for Authority to Implement the)	DOCKET NO. 89.11.40
Gas Cost Tracking Procedure to Estab-)	
lish Decreased Rates for Gas Service.)	INTERIM ORDER NO. 5437
_____)	

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INTERIM ORDER

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FINDINGS OF FACT

On November 1, 1989, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheet 88. The filing was given the Docket No. 89.11.40. The Company requested that the adjustment be implemented effective December 1, 1989, subject to Federal Energy Regulatory Commission (FERC) authorization of Williston Basin Interstate Pipeline Company's (WBIP) June 1, 1989, PGA filing and various other filings before the FERC, which are described below. (Application, p. 2)

In its application, MDU discusses the various WBIP filings before the FERC that have occurred since the time when the Commission established MDU's present gas

cost tracking adjustment level. There have been four significant actions by WBIP that have an impact on MDU's cost of gas at the town border station. This filing reflects the net effect of all of these actions. The specific actions taken by WBIP are as follows:

- a.) On June 1, 1988, WBIP filed, in Federal Energy Regulatory Commission (FERC) Docket No. TA89-1-49-000, its annual Purchased Gas Adjustment (PGA), which became effective August 1, 1989. The gas commodity charge portion of the rates decreased by 8.292 cents per Dkt, and the fuel reimbursement increased by 1.077 cents per Dkt as a result of this filing.
- b.) On September 28, 1989, WBIP filed, in FERC Docket No. TQ89-1-49, its quarterly PGA to be effective November 1, 1989. WBIP states that the gas commodity charge portion of its rates will decrease by 19.541 cents per Dkt, and the fuel reimbursement will increase by .639 cents per Dkt as a result of this filing.
- c.) On September 29, 1989, WBIP filed revised tariffs with the FERC to reflect its customer's second conversion of sales service to firm transportation service effective November 1, 1989.
- d.) On October 3, 1989, WBIP filed further revised tariff sheets with the FERC to reflect separate storage charges for service rendered under its Rate Schedule S-2. The establishment of the separate Rate Schedule S-2 storage charges affected WBIP's other rate schedules. (Application, p. 2)

On November 16, 1989, MDU filed a Revised Gas Cost Tracking Adjustment change pursuant to the terms of Rate 88. In the revised filing, MDU says that on July 31, 1989, the FERC issued a Letter Order approving the rates set forth in FERC Docket No.

TA89-1-49-000, WBIP's annual PGA, effective August 1, 1989, subject to refund. On October 20, 1989, the FERC issued a Letter Order approving the rates set forth in FERC Docket No. TQ90-1-49-000, WBIP's quarterly PGA, effective November 1, 1989, subject to refund. On October 31, 1989, the FERC issued an Order in FERC Docket Nos. RP89-257-000 and RP89-34-000 approving WBIP's customers' second conversion of sales service to transportation service effective November 1, 1989, subject to refund. Also, MDU says that on October 31, 1989, the FERC issued an Order in FERC Docket No. RP90-2-000 suspending the proposed tariffs establishing separate storage charges until April 3, 1990. (Revised Application, p. 2)

In its revised filing, MDU states that the suspension of WBIP's rates in FERC Docket No. RP90-2-000 causes the need for a revision in MDU's gas tracker filing in this proceeding, since the original filing reflected rates that MDU will not be charged. (Revised Application, p. 2)

MDU states in its application that all of the above described changes are incorporated in the current filing. MDU, therefore, requests that the Commission allow the pass-through of this tracking change which reflects the net effect of the above described changes under the terms of MDU's Rate 88. (Revised Application, p. 2)

The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Adjustment amortized over a projected six-month sales period.

In its original filing, MDU proposes net decreases over the current tracking adjustment in the amounts of 9.6 cents per Dkt for residential and commercial customers and 29.5 cents per Dkt for industrial customers, or approximately \$632,000 during the proposed effective period until May 31, 1990. These proposed decreases are calculated in the following table:

	Residential and <u>Commercial</u>	Industrial <u>Customers</u>
Current Gas Cost Adjustment	(\$0.409)	(\$0.295)

Unreflected Gas Cost Adjustment	<u>(0.004)</u>	<u>0.000</u>
Total Tracking Adjustment	(\$0.413)	(\$0.295)
Less: Total Tracking Adjustment - Current	<u>(0.317)</u>	<u>(0.000)</u>
Net Increase (Decrease) in Current Rates	(\$0.096)	(\$0.295)
	=====	=====

In its revised filing, MDU proposes net decreases over the current tracking adjustment in the amounts of 2.1 cents per Dkt for residential and commercial customers and 9.9 cents per Dkt for industrial customers, or approximately \$138,000 during the proposed effective period until May 31, 1990. These proposed decreases are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	(\$0.334)	(\$0.099)
Unreflected Gas Cost Adjustment	<u>(0.004)</u>	<u>0.000</u>
Total Tracking Adjustment	(\$0.338)	(\$0.099)
Less: Total Tracking Adjustment - Current	<u>(0.317)</u>	<u>(0.000)</u>
Net Increase (Decrease) in Current Rates	(\$0.021)	(\$0.099)
	=====	=====

In both its original and revised filing, MDU proposes that the industrial unreflected gas cost adjustment should be zero, even though there is a negative balance in the unreflected gas cost account for such customers at September 30, 1989. MDU says that, given the extreme uncertainty and volatility of industrial sales, MDU proposes to refund the balance directly to the applicable customers. MDU requests that such refunds

be approved on an interim basis and MDU will provide a report to the Commission detailing such refunds. (Revised Application, p. 3)

As required by the Order in Docket No. 85.5.16, MDU provides testimony by Mr. Donald Ball to explain any adjustments included in the Unreflected Gas Cost Adjustment calculations appearing in Exhibit. (Revised Application, p. 3)

As requested in a letter dated November 28, 1988, MDU has included a Statement of Position regarding the various FERC filings related to this filing.

MDU requests that this filing be accepted as being in full compliance with the filing requirements of the Commission. At September 30, 1988, MDU had 59,843 customers in Montana whose cost of service would be affected by this adjustment. (Revised Application, p. 4)

MDU also requested in this filing that the Commission expressly waive the information requirements of ARM 38.5.101 through 38.5.180 inclusive, and grant any additional waivers or approvals deemed necessary to allow the timely implementation of the rates applied for in this filing.

Commission Analysis

Although MDU did not request interim relief in this Docket, the Commission believes that this Interim Order is the proper approach in processing this filing to allow for the requested rate changes to go into effect on a timely basis, while also allowing full examination of the case by all interested parties through a discovery and hearing

procedure, if such is determined appropriate. A Final Order in this Docket, therefore, will reflect the Commission's analysis of the record in this case and any actions taken by the FERC that would affect the rates approved in this Interim Order.

Based on the above discussion, the Commission finds that approval of MDU's requested rate changes as proposed in the revised filing in Docket No. 89.11.40 is proper in this Interim Order, subject to the FERC's authorization of the various WBIP filings discussed above. The matter of a hearing date, if one is necessary, will be addressed at a later time.

Concerning MDU's proposal of refunding the balance of the unreflected gas cost adjustment directly to the applicable industrial customers, consistent with Finding of Fact No. 19 in Interim Order No. 5280a in Docket No. 88.2.4, the Commission finds this proposal unacceptable on an interim basis. MDU must set aside that refund money, accruing interest at the Company's approved return on equity, until this matter is resolved in the Final Order of this proceeding.

MDU's filing contemplates an effective date of December 1, 1989, for the proposed rate decreases, and the Commission agrees with that proposed effective date on a services rendered basis, but on an interim basis as discussed above.

In granting this interim approval, the Commission stresses that the calculations and methodologies approved in this Interim Order will be closely scrutinized and, depending on the record in this proceeding, may be modified or disallowed in the Final Order.

Concerning a hearing in this proceeding, the Commission will issue a Proposed Procedural Order, and, if no objections to that proposed procedural schedule are received, the Commission will approve the Proposed Procedural Order as final.

The Commission finds MDU's application to be a complete filing and defers its decision until the Final Order in this proceeding concerning MDU's request for a blanket waiver of the Commission's rules, regulations, etc.

The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission gas tracking orders and in the Commission's rules regarding interim relief.

Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

- a.) Tracking increases are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476);
- b.) Interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476a);
- c.) The appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and

- d.) The Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a).

The Commission's rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things, the guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 22 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income, and, hence, constitutes an adjustment contemplated in the Interim policy rules. Consequently, the Commission finds the Company's request for relief in this Docket to be proper in this Interim Order.

However, the granting of this interim relief should in no way be misinterpreted to mean that any issue in this case has been decided before all the evidence has been presented and heard during the course of these proceedings.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this Interim Order are found to be unjustified in the Final Order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana-Dakota Utilities Company, is hereby granted interim relief in the amount of 2.1 cents per Dkt reduction for all residential and commercial customers and a decrease of 9.9 cents per Dkt for industrial customers.

2. Such relief is to become effective for services rendered on and after December 1, 1989, subject to the FERC's authorization of the various WBIP filings discussed in MDU's filing in this proceeding.

3. Applicant must file its new rates in compliance with the Findings of Fact in this Interim Order.

4. Interim revenues granted herein are subject to rebate should the Final Order in this docket determine that a lower revenue level is warranted. Such a rebate would include interest at the rate of the Applicant's last granted return on common equity.

5. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

6. The Commission accepts, for interim purposes, MDU's request that this is a complete filing and is in full compliance with the filing requirements of the Commission, and the Commission reserves final ruling on this request until a Final Order is issued.

DONE IN OPEN SESSION at Helena, Montana, this 27th day of November, 1989,
by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.